

**\*\*\* OFFICIAL ANNOUNCEMENT \*\*\*****GENERAL****THE GOVERNMENT OF THE REPUBLIC OF INDONESIA****GOVERNMENT REGULATION  
NUMBER: 28/1999 ; DATED MAY 7, 1999****R E****MERGER, CONSOLIDATION AND ACQUISITION OF BANKS****THE PRESIDENT OF THE REPUBLIC OF INDONESIA**

- Considering :**
- a. that in order to create a Banking System which is fair, efficient, solid and capable of competing in the globalisation and free trade era, efforts which can boost banks to strengthen their position through merger, consolidation and acquisition are needed;
  - b. that in view of the fact that banks are business entities whose main activity is to accumulate and channel private funds, the provisions on merger, consolidation and acquisition of banks need to be regulated specifically in a Government Regulation.
- Bearing in mind :**
1. Article 5 paragraph (2) of the Constitution of 1945;
  2. Law No. 13/1968 on the Central Bank (State Gazette of 1968 No. 63, Supplement to State Gazette No. 2865);
  3. Law No. 7/1992 on the Banking System (State Gazette of 1992 No. 31, Supplement to State Gazette No. 3472) as already amended by Law No. 10/1998 (State Gazette of 1998 No. 182, Supplement to State Gazette No. 3790);
  4. Law No. 1/1995 on Limited Liability Companies (State Gazette of 1995 No. 13, Supplement to State Gazette No. 3587);
  5. Law No. 8/1995 on the Capital Market (State Gazette of 1995 No. 64, Supplement to State Gazette No. 3608);
  6. Government Regulation No. 27/1996 on Merger, Consolidation and Acquisition of Limited Liability Companies (State Gazette of 1998 No. 40, Supplement to State No. 3741);

**HAS DECIDED :**

**To stipulate : GOVERNMENT REGULATION ON MERGER, CONSOLIDATION AND ACQUISITION OF BANKS.**

**CHAPTER I  
GENERAL PROVISIONS  
Article 1**

Referred to in this Government Regulation as ;

1. Bank shall be Commercial Banks and Smallholder Credits Banks as meant in Law No. 7/1992 on the Banking System as already amended by Law No. 10/1998.
2. Merger shall be the combination of 2(two) banks or more by means of maintaining the existence of one of the banks and dissolving the other bank (s) without prior liquidation.
3. Consolidation shall be the combination of 2(two) banks or more by means of establishing a new bank and dissolving the banks without prior liquidation.
4. Acquisition shall be the taking over of ownership of a certain banks which causes the transfer of control over the bank.
5. Control shall be the capacity to determine directly and indirectly by whatever means, the management and/or policies of banks.
6. Shares of banks shall be pieces of evidence of capital payment in the names of holders for banks in the form of Limited Liability Companies or other forms treated as such shares for banks in the form of other Legal Entities.

**Article 2**

The merger and consolidation as meant in Article 1 shall cause :

- a. shareholders of Banks executing merger or Consolidation to become shareholders of Banks resulting from the merger of Consolidation;
- b. the transfer of assets and liabilities of Banks executing Merger or Consolidation, as a legal consequence to Banks resulting from the merger or consolidation.

**CHAPTER II  
REQUIREMENTS FOR MERGER, CONSOLIDATION AND ACQUISITION  
Article 3**

Merger, Consolidation and Acquisition of Banks shall be made on the following bases :

- a. initiative of the relevant banks; or
- b. request from Bank Indonesia; or
- c. initiative of the provisional special agency in the framework of bank restructuring.

**Article 4**

- (1) Merger, Consolidation and Acquisition made on the basis of the initiative of the relevant banks shall first secure licences from executives of Banks Indonesia.
- (2) The obligation to secure the prior licences from Executives of Bank Indonesia as meant in paragraph (1) shall also be effective for merger and consolidation made on the basis of the initiative of the provisional special agency in the framework of bank restructuring.

**Article 5**

Merger, consolidation and acquisition of banks shall be made by observing the following matters:

- a. interests of Banks, Creditors, Minority shareholders and employees of banks;
- b. interests of the public and fair competition in undertaking businesses of banks.

**Article 6**

- (1) Merger, Consolidation and Acquisition shall not reduce the rights of minority shareholders to sell their shares at a reasonable price.
- (2) The minority shareholders as meant in paragraph (1) can only use their rights so that their shares are bought by banks at a reasonable price in accordance with the provision in Article 55 of Law No. 1/1995 on Limited Liability Companies.
- (3) The exercise of the rights as meant in paragraph (2) shall not discontinue the realisation of merger, consolidation and acquisition.

**Article 7**

- (1) Merger, consolidation and acquisition only can be done with the approval of the shareholders general meeting for banks in the form of Limited Liability Companies or the similar meeting for banks in the form of other Legal Entities.
- (2) Merger, consolidation and acquisition shall be made on the basis of the approval of the shareholders general meeting attended by shareholders who represent at least 3/4 (three fourths) of the total shares with legitimate votes and approved by at least 3/4 (three fourths) of legitimate votes of the shareholders present.
- (3) For banks in the form of public-listed liability companies, in the case of the requirement as meant in paragraph (2) failing to be met, the requirement for the presence and decision making shall be stipulated in accordance with laws effective in the field of the capital market.

**Article 8**

In order to obtain licences for merger or consolidation, the following requirements shall be fulfilled :

- a. already securing approval from the shareholders general meeting for banks in the form of limited liability companies or a meeting of the kind for banks in the form of other legal entities as meant in Article 7;
- b. Upon the merger or consolidation, the assets of banks resulting from the merger or consolidation are not surpassing 20 % (twenty percent) of the total of the whole assets of banks in Indonesia;
- c. the capital of banks resulting from the merger or consolidation must fulfill the capital adequacy ratio stipulated by Bank Indonesia.
- d. Prospective members of the Board of Executive Directors and the Board of Directors appointed are not listed as disgraceful persons in the Banking Sector.

#### **Article 9**

- (1) Acquisition of banks shall be made by means of taking over shares wholly or partly which causes the transfer of control of banks to parties acquiring.
- (2) The taking over of shares of banks directly or through the capital market, which causes shareownership of individual or legal entities shareholders to be higher than 25% (twenty five percent) of the shares of banks which have already been issued and have voting rights, shall be considered to cause the transfer of control of banks as meant in paragraph (1), excepts the relevant shareholders can prove to the contrary.
- (3) The taking over of shares of banks causing shareholders of parties which take part to be 25% (twenty five percent) or lower of the shares of banks which have already been issued and have voting rights, shall be considered not to cause the transfer of control of banks as meant in paragraph (1), excepts the relevant parties express their intention to control or there are pieces of evidence that the relevant parties directly or indirectly control the banks.

#### **Article 10**

In order to obtain licences for acquisition, the following requirements shall be fulfilled :

- a. already securing approval from the shareholders general meeting of banks to be acquired or a meeting of the kind for banks which are not in the form of Limited Liability Companies as meant in Article 7;
- b. parties executing the acquisition are not listed as disgraceful persons in the banking sector;
- c. in the case of the acquisition being made by banks, the relevant banks must fulfill the provision on capital participation regulated by Bank Indonesia.

### **CHAPTER III PROCEDURE FOR MERGER Article 11**

- (1) The Board of Executive Directors of Banks which will merge themselves and receive the merger shall respectively formulate proposals of plan for merger.
- (2) The proposals as meant in paragraph (1) shall secure approval from the board of Directors and at leastt contain the following matters;
- a. names and domicile of banks which will merge;
  - b. reasons and explanations of the respective Boards of Executive Directors of banks which will merge and requirements for merger;
  - c. procedure for the conversion of shares of the respective banks which will merge into shares of banks resulting from the merger;
  - d. draft of amendment to the articles of association;
  - e. balances, calculation of profits and losses for the last years of banks which will merge; and
  - f. matters which shareholders of the respective banks need to be informed of including:
    - 1) pro forma balances of banks resulting from merger in accordance with the financial accountancy standards, estimates of matters connected with profits and losses as well as the future of banks which can be achieved from the merger on the basis of results of evaluation of independent experts;
    - 2) procedure for the settlement of status of employees of banks which will merge;
    - 3) procedure for the settlement of rights and liabilities to third parties;
    - 4) procedure for the settlement of rights of minority shareholders;
    - 5) composition, salaries and other allowances of the Board of Executive Directors and the Board of Directors of Banks resulting from the merger;
    - 6) estimates of the period of realisation of the merger;
    - 7) report on conditions and performance of banks as well as results already achieved;
    - 8) main activities of banks and changes in the current accounting year;
    - 9) details of problems arising in the current accounting year which affect activities of banks;
    - 10) names of personnel of the Board of Executive Directors and the Board of Directors;

- 11) salaries and other allowances of members of the Board of Executive Directors and the Board of Directors.

#### Article 12

In the case of banks which will merge being affiliated to one group or between groups, the proposals of plans for merger shall contain consolidated and pro forma balances of banks resulting from the merger.

#### Article 13

- (1) The proposals as meant in Articles 11 and 12, shall constitute materials to formulate a merger draft made out jointly by Board of Executive Directors of Banks which will merge.
- (2) The merger draft as meant in paragraph (1) shall at least contain matters included in the proposals of plans for merger as meant in Articles 11 and 12.
- (3) In addition to the matters as meant in paragraph (2), the merger draft shall also contain confirmation from banks which will accept the combining on the receipts of transfer of all rights and liabilities from banks which will combine themselves.

#### Article 14

- (1) Before convening the shareholders general meeting of the respective banks, the boards of executive directors shall be obliged to announce a summary of the merger draft not later than :
  - a. 30 (thirty) days before the shareholders general meeting in 2(two) daily newspapers having wide circulation;
  - b. 14 (fourteen) days before the shareholders general meeting to employees of banks in writing.
- (2) Especially for smallholder credit banks whose assets are less than Rp. 10.000.000.000.00(ten billion rupiahs), the announcement as meant in paragraph (1) can be made by other means.

#### Article 15

- (1) The merger drafts as meant in Article 13 along with concepts of the merger deed, shall be conveyed to the shareholders general meeting of the respective banks.
- (2) The concepts of the merger deed already securing approval from the shareholders general meeting as meant in paragraph (1), shall be put into the merger deed which is made before notaries in the Indonesian language.

# Article 16

- (1) After securing approval from the shareholders general meeting to execute the merger, the Boards of Executive Directors of the respective banks shall jointly submit applications for merger licences to Bank Indonesia with copies made available to the Minister of Justice.
- (2) The applications for merger licences as meant in paragraph (1), shall be submitted by enclosing the deed of amendment to the articles of association along with the deed of merger.
- (3) The approval or rejection of the applications for merger licences as meant in paragraph (1) shall be granted by Bank Indonesia not later than 30 (thirty) days as from the receipt of complete applications.
- (4) In the case of in the period as meant in paragraph (3) Bank Indonesia giving no response to the applications for merger licences, Bank Indonesia shall be considered to approve the applications for merger licences.
- (5) In the case of the applications being rejected, the rejection shall be notified to applications in writing along with its reasons.
- (6) Copies of the approval or rejection as meant in paragraph (3) shall be conveyed to the Minister of Justice.

# Article 17

- (1) In the case of any amendment to the articles of association of banks which results from merger requiring approval from the Minister of Justice, upon the filing of applications for merger licences, the Board of Executive Directors of Banks resulting from the merger shall also submit applications for approval of amendment to the articles of association to the Minister of Justice.
- (2) The applications as meant in paragraph (1) shall be submitted in writing by enclosing:
  - a. the deed of amendment to the articles of association; and
  - b. the deed of merger.
- (3) The Minister of Justice only can grant approval to the amendment to the articles of association of banks resulting from the merger after receiving copies of merger licences from Bank Indonesia.
- (4) The approval or rejection of the Minister of Justice of the applications as meant in paragraph (1) shall be given not later than 14 (fourteen) days after the receipt of licences to merge from Bank Indonesia.
- (5) In the case of the applications being rejected, the rejection shall be notified to applicants in writing along with its reasons.

**Article 18**

Not later than 30 (thirty) days as from the date when the deed of amendment to the articles of association secure approval from the Minister of Justice, the Board of Executive Directors of Banks resulting from the merger shall be obliged to register the deed of amendment to the articles of association at the Corporate Registry and announce it in the Supplement to State Gazette of the Republic of Indonesia.

**Article 19**

- (1) In the case of the amendment to the articles of association of banks which results from the merger nor requiring approval from the Minister of Justice, not later than 14 (fourteen) days as from the shareholders general meeting the Board of Executive Directors of Banks resulting from the merger shall be obliged to report the deed of merger and the deed of amendment to the articles of association to the Minister of Justice.
- (2) The Minister of Justice only can issue letters of receipt of reports as meant in paragraph (1) after the receipt of merger licences from Bank Indonesia.
- (3) The Board of Executive Directors of Banks resulting from the merger, not later than 30 (thirty) days as from the receipt of reports by the Minister of Justice as meant in paragraph (2) shall be obliged to register the deed of merger and the deed of amendment to the articles of association at the list of companies, as well as announcing it in the supplement to State Gazette.

**Article 20**

- (1) In the case of the merger being made in accordance with the provision as meant in Article 17, banks combining themselves shall be dissolved by law, as from the date of approval of the Minister of Justice of amendment to the articles of association.
- (2) In the case of the merger being made in accordance with the provision as meant in Article 19, banks combining themselves shall be dissolved legally, as from the date of registration of the deed of merger and the deed of amendment to the articles of association at the Corporate Registry.
- (3) Banks which have statutory bodies other than limited liability companies, the merger and dissolution of banks shall come into force as from the date of approval of the article of association of banks resulting from the merger by the authorized officials in accordance with laws in force.

**Article 21**

- (1) Starting from the date of the signing of the shareholders general meeting of the deed of merger as meant in Article 15 paragraph (2), the Boards of Executive Directors of Banks combining themselves can not take legal actions connected with assets of the relevant banks, excepts in the framework of realisation of the merger.



- (2) Any violation of the provision as meant in paragraph (1) shall be the responsibility of the Boards of Executive Directors of the relevant banks.

#### Article 22

- (1) The Board of Executive Directors of Banks resulting from the merger shall be obliged to announce the results of merger in two daily newspapers having wide circulation not later than 30 (thirty) days as from the date of enforcement of the merger.
- (2) Especially for smallholder credit banks whose assets are less than Rp, 10.000.000.000,00 (ten billion rupiahs), the announcement as meant in paragraph (1) can be made by other means.

### CHAPTER IV PROCEDURE FOR CONSOLIDATION

#### Article 23

- (1) The provisions as meant in Articles 11, 12, 13, 14, 15 and 22 shall also be effective for the consolidation of banks.
- (2) The deed of consolidation which is made out as meant in Article 15 paragraph (2) shall become the basis for the making out of the deed of establishment (incorporation) of banks resulting from the consolidation.

#### Article 24

- (1) Upon the submission of application for consolidation licences to Bank Indonesia, the Board of Executives Directors of Banks resulting from the consolidation shall also be obliged to file applications for approval of the deed of establishment of banks resulting from the consolidation to the Minister of Justice with copies made available to Bank Indonesia.
- (2) The application for consolidation licences as meant in paragraph (1) shall be submitted by enclosing:
- the deed of establishment of banks resulting from the consolidation;
  - the deed of consolidation.

#### Article 25

- (1) The Minister of Justice only can grant approval of applications for the deed of endorsement of establishment of banks resulting from the consolidation after issuance of prior consolidation licences by Bank Indonesia.
- (2) The approval or rejection of the Minister of Justice of the application for the endorsement as meant in paragraph (1) shall be granted not later than 14 (fourteen) days after the receipt of consolidation licences from Bank Indonesia.
- (3) In the case of in the period as meant in paragraph (2), the Minister of Justice not responding to the application for the endorsement, the Minister of Justice shall be

considered to approve the applications for the endorsement.

- (4) In the case of the applications for the endorsement being rejected, the rejection shall be notified to applicants in writing along with its reasons.

#### **Article 26**

Not later than 30 (thirty) days as from the date when the deed of establishment of banks resulting from the consolidation secures approval from the Minister of Justice, the Board of Executive Directors of Banks resulting from the consolidation shall be obliged to register the deed of establishment of the banks resulting from the consolidation at the Corporate Registry and announce it in the Supplement to State Gazette of the Republic of Indonesia.

#### **Article 27**

Banks consolidating themselves shall be dissolved as from the deed of establishment of banks resulting from the consolidation is approved by the Minister of Justice.

#### **Article 28**

- (1) Starting from the date of signing of the deed of consolidation, the Boards of Executive Directors of Banks consolidating themselves shall be prohibited from taking legal actions connected with assets of the relevant bank, except the actions needed in the framework of realizing the consolidation.
- (2) Any violation of the provision as meant in paragraph (1) shall be the responsibility of the Boards of Executive Directors of the relevant banks.

### **CHAPTER V PROCEDURE FOR ACQUISITION**

#### **Article 29**

- (1) Parties which will execute acquisition shall convey their intention to execute acquisition to the Boards of Executive Directors of Banks to be acquired.
- (2) The Boards of Executive Directors of the banks to be acquired and parties which will execute the acquisition shall respectively formulate proposals of plans for acquisition.
- (3) The proposals as meant in paragraph (1) shall respectively secure approval from the Boards of Directors of banks to be acquired and banks which will execute the acquisition or the same institutions of parties which will execute acquisition and at least contain the following matters:
  - a. names and domiciles of banks as well as other legal entities or individual identities of parties executing acquisition;
  - b. reasons and explanations of the respective Boards of Executive Directors of Banks, executive boards of legal entities or individual executing acquisition;

- c. balances, calculation of profits and losses for the last three years, mainly the annual calculation in the latest year, of banks and other legal entities executing acquisition;
- d. procedure for the conversion of shares of the respective parties executing acquisition if the payment of acquisition is made by shares;
- e. draft of amendment to articles of association of banks resulting from acquisition;
- f. total of shares to be acquired;
- g. funding preparation;
- h. procedure for the settlement of rights of minority shareholders;
- i. procedure for the settlement of status of employees of banks to be acquired;
- j. estimates of the period of realisation of acquisition.

#### Article 30

The proposals as meant in Article 29 shall constitute material to formulate the draft of acquisition jointly made out by the Board of Executive Directors of banks to be acquired and parties making acquisition.

#### Article 31

The draft of acquisition as meant in Article 30 shall at least contain matters contained in the proposals of plans for acquisition as meant in Article 29.

#### Article 32

(1) Before convening the shareholders general meetings of the respective banks, the board of Executive Directors shall be obliged to announce a summary of draft of acquisition not later than:

- a. 30 (thirty) days before the shareholders general meeting in two newspapers having wide circulation;
- b. 14 (fourteen) days before the shareholders general meeting to employees of banks in writing.

(2) Especially for smallholder credit banks whose assets are less than Rp. 10.000.000.000,00 (ten billion rupiahs), the announcement as meant in paragraph (1) can be made by other means.

#### Article 33

The draft of acquisition along with the concepts of deed of acquisition shall secure approval

from :

- a. shareholders general meeting of banks to be acquired; and
- b. parties to make acquisition.

#### **Article 34**

The draft of acquisition along with the concepts of deed of acquisition already approved as meant in Article 33 shall be contained in the deed of acquisition.

#### **Article 35**

The provisions as meant in Articles 16, 17, 18, 19 and 22 shall also be effective for acquisition.

#### **Article 36**

- (1) Acquisition of banks shall come into force as from the date of the signing of deed of acquisition.
- (2) The deed of acquisition shall be made out and signed after securing licences for acquisition from Bank Indonesia.

### **CHAPTER IV OBJECTION TO MERGER, CONSOLIDATION AND ACQUISITION OF BANKS**

#### **Article 37**

- (1) Creditors and minority shareholders can raise objections to banks not later than 7 (seven) days before convening the shareholders general meeting which will made decisions on merger, consolidation and acquisition plans already contained in the draft.
- (2) In the case of in the period as meant in paragraph (1), creditors, and minority shareholders raising no objections, the creditors and minority shareholders shall be considered to approve the merger, consolidation and acquisition.
- (3) The objections of creditors and minority shareholders as meant in paragraph (1) shall be submitted in the shareholders general meeting to obtain the settlement.
- (4) As far as the settlement as meant in paragraph (3) is not yet made, the merger, consolidation and acquisition can not be realized.

### **CHAPTER VII MISCELLANEOUS PROVISIONS**

#### **Article 38**

- (1) In executing its taks in the framework of merger, consolidation and acquisition, the Boards of Executive Directors shall solely act for interest of banks.

- (2) In the case of occurrence of conflict of interests between banks and the Board of Executive Directors, the Boards of Executive Directors shall be obliged to disclose the matter in the proposals of plans for and drafts of merger, consolidation and acquisition.

(3) The provision as meant in paragraphs (1) and (2) shall also be effective for the Board of Directors.

#### Article 39

Requirements and procedures for merger, consolidation and acquisition not yet regulated in this Government Regulation shall be further stipulated by executives of Bank Indonesia.

#### Article 40

- (1) Acquisition of banks executed without prior licences from Executives of Bank Indonesia as meant in Article 4 shall be declared ineffective, and parties executing acquisition are prohibited from taking actions as shareholders of banks.
- (2) The relevant banks shall be prohibited from registering the acquisition and/or granting rights as shareholders to parties executing the acquisition.
- (3) Any violation of the provision as meant in paragraph (2) shall be subjected to administrative sanctions by bank Indonesia as stipulated in Article 52 paragraph (2) of Law No. 71/1992 on the Banking System as already amended by Law No. 10/1998.

### CHAPTER VIII

#### TRANSITIONAL PROVISIONS

#### Article 41

Banks which at the moment of enforcement of this Government Regulation have already;

- secured principle approval of merger or consolidation from the Minister of Finance; or
- submitted applications for the approval of deeds of the articles of association to the Minister of Justice and not yet secured approval; or
- secured the approval of deeds of amendment to the articles of association from the Minister of Justice.

shall be obliged to secure licences for merger or consolidation from Bank Indonesia in accordance with this Government Regulation.

#### Article 42

With the enforcement of this government regulation, all technical directives connected with merger, consolidation and acquisition of banks shall remain effective as far as they do not contravene and are not yet revoked or replaced on the basis of this Government Regulation.

**CHAPTER IX  
CLOSING PROVISIONS  
Article 43**

This Government Regulation shall also be effective for banks which are in the form of public-listed limited liability companies, except they are regulated separately by laws in force on the capital market.

**Article 44**

The provisions in this Government Regulation shall be fully effective for banks which are not in the form of limited liability companies as far as they do not contravene laws in force in the field of cooperatives and regional companies

**Article 45**

Further provisions for the implementation of this Government Regulation shall be regulated by Bank Indonesia.

**Article 46**

This Government Regulation shall come into force as from the date of stipulation.

For public cognizance, this Government Regulation shall be promulgated by placing it in State Gazette of the Republic of Indonesia.

Stipulated in Jakarta  
On May 7, 1999  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA  
sgd  
BACHARUDDIN JUSUF HABIBIE

Promulgated in Jakarta  
on May 7, 1999  
THE MINISTER/STATE SECRETARY

sgd  
AKBAR TANDJUNG

**STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 1999 NO. 61**

Elucidation .....  
To be continue

**SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC  
OF INDONESIA NO. 3831**

ooo000ooo

=====

**GENERAL**

=====

**GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA  
NUMBER : 28 OF 1999 ; DATED : MAY 7, 1999**

**RE**

**MERGER, CONSOLIDATION AND ACQUISITION OF BANKS**

( Continuation From Warta CAFI No. 54)

**ELUCIDATION**

**GENERAL**

Banks have a strategic role because their main function is to accumulate and channel private funds in the framework of supporting national economy. In the increasingly transparent and faster growing economic conditions, broader, better and higher quality banking services are needed.

In relation thereto, it needs the Banking System which is sound, efficient and capable of competing in the globalisation and free trade era. For the purpose, banks need to be encouraged to strengthen their position by various kinds of efforts, like merger, consolidation and acquisition. Synergy of two banks or more can arise from merger and acquisition, so that solid banks with better performance can be expected to appear. Acquisition can also support the realisation of a sound and efficient banking system through the inclusion of investors having strong capital.

Merger, consolidation and acquisition, which in Law No. 1/1995 on Limited Liability Companies are called combination, consolidation and taking over, in general are already regulated properly in the Law on Limited the Liability companies and its technical directives,

**CAFI 56/JULY 13, 1999**

viz. Government Regulation No. 27/1998 on the combination, consolidation and taking over of Limited Liability Companies. In the Government Regulation, the enforcement of special provisions on the combination, consolidation and taking over of companies in certain fields, like the banking sector and capital market, remains possible. The possibility is strengthened by Law No. 7/1992 on the Banking System as already amended by Law No. 10/1998 which stipulates the need for regulating merger, consolidation and acquisition of banks in a Government Regulation.

The regulation of merger, consolidation and acquisition of banks in the government regulation is intended to provide better legal certainty and facilities for banks which will execute merger, consolidation and acquisition.

## **ARTICLE BY ARTICLE**

### **Article 1**

Self - explanatory

### **Article 2**

#### **Letter a**

Self - explanatory

#### **Letter b**

Assets and liabilities of banks include the whole rights and obligations of banks recorded in both balances and administrative accounts.

### **Article 3**

#### **Letter a**

Self - explanatory.

#### **Letter b**

Self - explanatory.

#### **Letter c**

The provisional special agency in the framework of bank restructuring means the special agency as meant in Article 37A of Law No. 7/1992 on the Banking System as already amended by Law No. 10/1998.

### **Article 4**

#### **Paragraph (1) and (2)**

In granting the licences for Merger, Consolidation and Acquisition, Bank Indonesia will evaluate whether the implementation of the Merger, Consolidation and Acquisition :

- a. can boost the performance of Banks and the national banking system;
- b. causes no concentration of economic strengths in one person or group in the form of monopoly inflicting losses on communities;
- c. inflicts no losses on customers of banks.



**Article 5**

**Letter a**

Interests of banks in this case, among others, are that merger, consolidation or acquisition is made in the framework of increasing the solvency and/or capital of banks.

Interests of creditors in this case deal with the repayment of funds to the relevant creditors, including customers saving funds.

Interests of minority shareholders are the rights of minority shareholders to sell their shares to banks at a reasonable price. Interests of employees of banks are the rights of employees of banks in accordance with the provisions effective in the field of manpower.

**Letter b**

Self - explanatory

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Paragraph (4)**

Self - explanatory

**Paragraph (5)**

Self - explanatory

**Paragraph (6)**

Self - explanatory

**Article 7**

**Paragraph (1)**

For banks which are in the forms of cooperatives, a meeting of the kind means the members meeting.

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Article 8**

Self - explanatory

**Article 9**

**Paragraph (1)**

The acquisition of banks as meant in this article is acquisition made directly or through the capital market, and done by Indonesian citizens and/or Indonesian Legal Entities, and foreign citizens and/or foreign Legal Entities.

Acquisition made through the capital market, in practice, can also be made to own and influence the management of banks. Such parties need to obtain the same treatment as that given to parties which execute acquisition directly.

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Article 10**

Self - explanatory

**Article 11**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

**Letter a**

Self - explanatory

**Letter b**

Self - explanatory

**Letter c**

Self - explanatory

**Letter d**

Drafts on the amendment to the Articles of association in this case are only obliged as part of the proposals if the Merger cause changes in the Articles of Association.

**Letter e**

Self - explanatory

**Letter f**

Self - explanatory

**Article 12**

Self - explanatory

**Article 13**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Article 14**

**Paragraph (1)**

The announcement is intended to provide opportunity to parties concerned to be informed of the plans for merger, consolidation and acquisition.

In the case of parties considering that the implementation of the plans will inflict losses on their interests, the relevant parties can raise objections to save their interests.

**Paragraph (2)**

The meaning of other means in this article includes the placement of the announcement at billboards of district offices and in offices of the smallholder credit banks.

**Article 15**

**Paragraph (1)**

The concept of deeds of merger contains main point of all matters contained in the drafts of merger.

**Paragraph (2)**

Self - explanatory.

**Article 16**

**Paragraph (1)**

For banks which are in forms other than limited liability companies, copies of applications for merger licences are conveyed to authorized institutions for approving amendment to the articles of association in accordance with laws in force.

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Paragraph (4)**

Self - explanatory

**Paragraph (5)**

Self - explanatory

**Paragraph (6)**

Self - explanatory

**Article 17**

**Paragraph (1)**

For banks which are in forms other than Limited Liability Companies, copies, of applications for Merger licences are conveyed to authorized institutions for approving amendment to the Article of Association in accordance with laws in force.

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Paragraph (4)**

Self - explanatory

**Paragraph (5)**

Self - explanatory

**Paragraph (6)**

Self - explanatory

**Article 18**

The "Corporate Registry" means the list as meant in Law No. 3/1982 on the Ccorporate Rregistration.

**Article 19**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Article 20**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Article 21**

**Paragraph (1)**

The legal actions connected with assets of Banks are, among others : to sell, tranfer, write off, guarantee, rent assets and to provide credits.

This provision does not restrict the authority of the Board of Executive Directors to take legal actions needed in the framework of undertaking activities to accumulate and place funds approved by the Shareholders General Meeting.

**Paragraph (2)**

Self - explanatory

**Article 22**

**Paragraph (1)**

The announcement is intended to provide opportunity to the parties concerned to be informed that Merger, Consolidation and Acquisition have already occurred.

**Paragraph (2)**

The meaning of other means in this article includes the placement of the announcement at billboards of district offices and in offices of the smallholder credit banks.

**Article 23**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Article 24**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Article 25**

**Paragraph (1)**

Self - explanatory

**Paragraph (2)**

Self - explanatory

**Paragraph (3)**

Self - explanatory

**Paragraph (4)**

Self - explanatory

**Article 26**

Self - explanatory

**Article 27**

Self - explanatory

**Article 28****Paragraph (1)**

The legal actions connected with assets of banks are, among other : to sell, transfer, write off, guarantee, rent assets and to provide credits.

This provision does not restrict the authority of the Board of Executive Directors to take legal actions needed in the framework of undertaking activities to accumulate and place funds approved by the shareholders general meeting.

**Paragraph (2)**

Self - explanatory

**Article 29****Paragraph (1)**

Parties in this case can be companies, other Legal Entities which are not in the form of companies, or individuals.

**Paragraph (2)**

For banks in the form of limited liability companies, the provision on procedure for acquisition in this case is the further manifestation of the provision in Article 103 paragraphs (3), (4) and (5) of Law No. 1/1995 on Limited Liability Companies, viz, the acquisition which is made by involving the Boards of Executive Directors of Banks which are acquired and make acquisition.

**Paragraph (3)****Letter a**

The meaning of identity at least covers full name, date and place of birth, occupational, domicile and citizenship of the relevant person.

**Letter b**

Self - explanatory.

**Letter c**

Self - explanatory.

**Letter d**

Self - explanatory.

**Letter e**

The drafts of amendment to the articles of association are only required as part of the proposal if the acquisition causes changes in the articles of association.

**Letter f**

Self - explanatory.

**Letter g**

Self - explanatory.

**Letter h**  
Self - explanatory.

**Letter i**  
Self - explanatory.

**Letter j**  
Self - explanatory.

**Article 30**  
Self - explanatory.

**Article 31**  
Self - explanatory.

**Article 32**  
**Paragraph (1)**  
Self - explanatory.

**Paragraph (2)**  
Self - explanatory.

**Article 33**  
Self - explanatory.

**Article 34**  
Self - explanatory.

**Article 35**  
Self - explanatory.

**Article 36**  
**Paragraph (1)**  
Self - explanatory.

**Paragraph (2)**  
Self - explanatory.

**Article 37**  
**Paragraph (1)**  
Self - explanatory.

**Paragraph (2)**  
Self - explanatory.

**Paragraph (3)**  
The settlement in this case must not mean the refund of receivables that very moment, but can also be in the form of agreements on the settlement of objections of creditors and minority shareholders.

**Paragraph (4)**  
Self - explanatory.

**Article 38**

**Paragraph (1)**  
Self - explanatory.

**Paragraph (2)**  
Self - explanatory.

**Paragraph (3)**  
Self - explanatory.

**Article 39**

Self - explanatory.

**Article 40**

**Paragraph (1)**  
Names of parties executing Acquisition with prior licences from executives of Bank Indonesia can be registered on the list of shareholders of banks.

**Paragraph (2)**  
The rights as shareholders as meant in this paragraph, among others, are the right to attend and vote in the shareholders general meeting, as well as the right to obtain dividends.

**Paragraph (3)**  
Self - explanatory.

**Article 41**

Self - explanatory.

**Article 42**

Self - explanatory.

**Article 43**

Self - explanatory.

**Article 44**

Self - explanatory.

**Article 45**

Self - explanatory.

**Article 46**

Self - explanatory.

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA NO. 3840  
ooo000ooo

CAFI 56/JULY 13, 1999